



Cathey, Hutton & Associates, Inc.  
Telecommunications Management Consulting

## NEW APPLICATION



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October 20, 1999

AZ 0000 COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission  
Attn: Docket Control Center  
1200 West Washington  
Phoenix, Arizona 85007-2996

DOCKET NO. T-03798A-99-0604

RE: Value-Added Communications, Inc. - Application of Convenience and Necessity

Dear Sir or Madam:

Enclosed please find an original and ten (10) copies of the Application for Certificate of Convenience and Necessity to provide Alternate Operator Services in the state of Arizona for Value-Added Communications, Inc.

If you have any questions regarding this application, please give me a call at (512) 343-2544.

Sincerely,

Katharine L. Eaton  
Authorized Representative

KLE/lz

Enclosures

2711 LBJ Freeway  
Suite 560  
Dallas, Texas 75234-7321  
Voice (972) 484-2323  
Facsimile (972) 243-6139

8115 Shawnee Mission Pkwy.  
Suite 200  
Merriam, Kansas 66202-2945  
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Facsimile (913) 362-5460

12503 Southeast Mill Plain Blvd.  
Suite 200  
Vancouver, Washington 98684-4009  
Voice (360) 253-5500  
Facsimile (360) 253-5380

3300 Holcomb Bridge Road  
Suite 286  
Norcross, Georgia 30092-3238  
Voice (770) 446-7242  
Facsimile (770) 446-7243

**FORM A**

**ARIZONA CORPORATION COMMISSION**

**Application and Petition for Certificate of Convenience and Necessity to Provide  
Intrastate Telecommunication Services as an Alternate Operator Services Provider**

Mail original plus 10 copies of completed application to:

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

For Docket Control Only:  
(Please Stamp Here)

If you have current applications pending in Arizona as  
an Interexchange reseller, AOS provider, or as the  
provider of other telecommunication services.

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_

Docket No. \_\_\_\_\_

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_

Date Docketed \_\_\_\_\_

**A. Company and Telecommunications Service Information**

(A-1) The name, address, and telephone number (including area code) of the applicant(company):

Value-Added Communications, Inc.  
1601 North Collins Blvd.  
Richardson, Texas 75080  
(972) 479-1919

(A-2) If doing business (dba) under a name other than the applicant (company) name listed above, specify:

N/A

(A-3) The name, address, telephone number, facsimile number and email address of the management contact:

Kermit D. Heaton  
Executive Vice President  
1601 North Collins Blvd.  
Richardson, Texas 75080  
(972) 808-3342  
Fax (972) 238-0022  
e-mail – [kermith@vaci.com](mailto:kermith@vaci.com)

(A-4) The name, address, telephone number, facsimile number and email address of the Attorney, if any, representing the applicant:

N/A

(A-5) What type of legal entity is the applicant?

- ☐ Sole proprietorship
- ☐ Partnership: \_\_\_\_ limited, \_\_\_\_ general, \_\_\_\_ Arizona, \_\_\_\_ Foreign
- ☐ Limited liability company
- ☒ Corporation: \_\_\_\_ "S", \_\_\_\_ "C", \_\_\_\_ non-profit, \_\_\_\_ Arizona, X Foreign
- ☐ Other, specify:

(A-6) Include "Attachment A." Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

See Attached.

(A-7) 1. Is your company currently reselling telecommunication services in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona.

Yes. September 1992 (interstate only).

2. If the answer to 1. is "yes", identify the types of telecommunications services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data is available. Note: The Commission rules require that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators.

VAC Resells Long Distance. VAC also provides Automated Operator Services. Neither service is provided or sold to traffic aggregators.

Number of Long Distance Customers: 1

Total Intrastate Resold Minutes from October 1, 1998 to September 30, 1999: 0

Number of Automated Operator Services Customers: 1

Currently only interstate services are provided.

3. If the answer to 1. is "no, when does your company plan to begin reselling service in Arizona?

- (A-8) Include "Attachment B." Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, **state the tariff (maximum) rate as well as the price to be charged**, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the "illustrative Tariff/Price List Example" attached. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for procedures to make price list changes that result in rates that are higher than the tariff rate.

- (A-9) The geographic market to be served is:



Statewide



Other. Describe and provide a map depicting the area.

- (A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona.

AR, CA, CO, FL, GA, IL, IN, KS, KY, LA, MA, MI, MN, MO, NJ, NY, NC, OR, PA, TN, TX, WV, WI.

- (A-11) Provide the name, address, and telephone number of the company's complaint contact person.

Kermit D. Heaton  
1601 North Collins Blvd.  
Richardson, Texas 75080  
(972) 808- 3342

- (A-12) Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority with major changes and conditions or did not grant your application for those services. For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide telecommunications services.

No.

- (A-13) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If "yes", provide copies of the State Regulatory Commission's decision revoking its authority.

Yes.  
Arkansas and Maryland. See Attached.

- (A-14) Has the company been or is the company currently involved in any formal complaint proceedings before any State or Federal Regulatory Commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of Commission orders that have resolved any of these complaints. None

(A-15) Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which states has the applicant been involved in investigations and why is the applicant being investigated?

None

(A-16) Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

No

### B. Technical Information

(B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

Sprint

MCI

Include "Attachment C." Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic).

(B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 101XXXX access, if your system becomes non-operational?

Yes, with the exception of services provided to correctional facilities.

### C. Financial Information

(C-1) Include "Attachment D", Attachment D **must** include a copy of your Company's balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business.

(C-2) If your Company does not have financial statements for the two most recent years, please give the date your Company began operations.

N/A

(C-3) If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet for each of the two years.

(C-4) If your Company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements.

(C-5) If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers; advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

(C-6) Will your customers be required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services.

YES X (If yes, provide an explanation of how and when these customer advances prepayments or deposits will be applied or reference the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

See Section 2.5 Deposits and Credit Limits; Section 3.6.3.A Collect Call Assurance Program;  
Section 3.6.3.B COD Collect.

NO \_\_\_\_ (Note: If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services and that the company will abide by Arizona State Law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

Katharine L. Eaton  
(Signature of Authorized Representative)

10-21-99  
(Date)

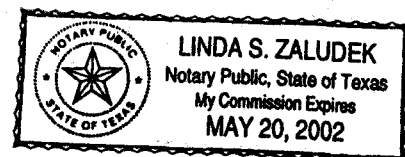
KATHARINE L. EATON  
(Print Name of Authorized Representative)

Analyst - Regulatory Services  
(Title)

SUBSCRIBED AND SWORN to before me this 21<sup>st</sup> day of October, 1999

Linda S. Zaludek  
NOTARY PUBLIC

My Commission Expires May 20, 2002



## ATTACHMENT A

### Board and Corporate Officers

### Percentage of Ownership

Jerry D. Gibson, CEO/President/Chairman of the Board

53%

Kermit D. Heaton, Executive Vice President/Secretary

15%

Steve Hodge, Executive Vice President

32%

Wanda Jones, Assistant Secretary

0

100% of the stock is held by VAC Holding, Inc..



## ATTACHMENT B

Alternate Operator Service Tariff

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**RATES, RULES AND REGULATIONS FOR FURNISHING  
ALTERNATE OPERATOR SERVICE**

**BY**

**VALUE-ADDED COMMUNICATIONS, INC.**

This tariff contains the descriptions, regulations, rates, and charges applicable to the provision of Resold Telecommunications and Automated Alternate Operator Services between points within the state of Arizona by Value-Added Communications, Inc., with principal offices at 1601 N. Collins Blvd., Richardson, Texas 75080.

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Issued: October 15, 1999

Effective:

Issued by: Kermit D. Heaton, Executive Vice President  
Value-Added Communications, Inc.  
1601 N. Collins Blvd.  
Richardson, Texas 75080

## Alternate Operator Service Tariff

CHECK SHEET

Pages 1 through 33, inclusive, of this tariff are effective as of the date shown.

<u>Page</u>	<u>Revision</u>	<u>Page</u>	<u>Revision</u>
1	Original*	26	Original*
2	Original*	27	Original*
3	Original*	28	Original*
4	Original*	29	Original*
5	Original*	30	Original*
6	Original*	31	Original*
7	Original*	32	Original*
8	Original*	33	Original*
9	Original*		
10	Original*		
11	Original*		
12	Original*		
13	Original*		
14	Original*		
15	Original*		
16	Original*		
17	Original*		
18	Original*		
19	Original*		
20	Original*		
21	Original*		
22	Original*		
23	Original*		
24	Original*		
25	Original*		

\* Indicates a new or revised page

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Value-Added Communications, Inc.  
1601 N. Collins Blvd.  
Richardson, Texas 75080

Alternate Operator Service Tariff

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**TABLE OF CONTENTS**

Title Page .....	1
Check Sheet .....	2
Table of Contents .....	3
Concurring, Connecting, and Other Participating Carriers .....	4
Explanation of Symbols .....	5
Tariff Format .....	6
Application of Tariff .....	7
1        DEFINITIONS .....	8
2        RULES AND REGULATIONS .....	11
3        DESCRIPTION OF SERVICE .....	25
4        RATES .....	30

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Alternate Operator Service Tariff

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**CONCURRING CARRIERS**

None

**CONNECTING CARRIERS**

None

**OTHER PARTICIPATING CARRIERS**

None

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Alternate Operator Service Tariff

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**EXPLANATION OF SYMBOLS**

The following symbols identify changes on revised page(s):

- R - Reduction
- I - Increase
- C - Changed regulation
- T - Change in text but no change in rate or regulation
- S - Reissued matter
- M - Matter relocated without change
- N - New rate or regulation
- D - Discontinued rate or regulation
- Z - Correction

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Alternate Operator Service Tariff

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**TARIFF FORMAT**

- A. Page Numbering: Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 4 and 5 would be 4.1.
- B. Page Revision Numbers: Revision numbers also appear in the upper right corner of each page. These number are used to determine the most current page version on file. For example, the 4th revised Page 4 cancels the 3rd revised Page 4.
- C. Paragraph Numbering Sequence: There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2
  - 2.1
  - 2.1.1
  - 2.1.1.A
  - 2.1.1.A.1
  - 2.1.1.A.1.(a)
  - 2.1.1.A.1.(a).I
  - 2.1.1.A.1.(a).I.(i)
  - 2.1.1.A.1.(a).I.(i).(1)
- D. When a tariff filing is made, an updated check sheet accompanies the tariff filing. The check sheet lists the pages contained in the tariff, with a cross-reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision.

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Alternate Operator Service Tariff

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**APPLICATION OF TARIFF**

This tariff contains the regulations and rates applicable to the furnishing of intrastate resale telecommunications services and automated operator services by Value-Added Communications, Inc. within the state of Arizona.

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Alternate Operator Service Tariff

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**SECTION 1 - DEFINITIONS**

**Authorization Code:** A numeric code, one or more of which are available to a customer to allow access to the carrier and which are used by the carrier to prevent unauthorized access and to identify the customer for billing purposes.

**Authorized User:** A person, firm, corporation or other entity authorized to use the Company's services.

**Auto-Collect Call:** A call billed to the called party without the intervention of a live operator.

**Automated Calling Card/Credit Card Call:** A call billed to an authorized telephone company-issued calling card or to a commercial credit card for which the end user dials all of the digits required to route and bill the call.

**Billing Cycle:** The Company enters into contractual arrangements with local exchange carriers, third-party billing agents, and commercial credit card companies to perform billing and collection services on behalf of the Company. The billing cycle for each call is determined by the existing billing arrangement between the end user and the billing entity.

**Called Station:** The terminating point of the call (i.e. the called number).

**Calling Station:** The originating point of the call (i.e. the calling number).

**Carrier:** Value-Added Communications, Inc., unless the context clearly indicates otherwise.

**Casual Calling Customer:** A customer who accesses the services of the Company through a host subscriber or by dialing the access code of the Company.

**Collect Billing:** A billing arrangement whereby the originating caller can bill the charges for a call to the called party, provided that the called party accepts the charges.

**Collect Call:** A call charged to the called party.

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Alternate Operator Service Tariff

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**SECTION 1 - DEFINITIONS (Continued)**

**Company:** Value-Added Communications, Inc., unless the context clearly indicates otherwise.

**Correctional Facility:** A facility for the confinement, detention, and/or rehabilitation of inmates from where inmates originate calls using the Company's services.

**Customer:** The person, firm, partnership, corporation or other entity that orders telecommunications service under the provisions and regulations of this tariff. The customer is responsible for the payment of charges for use of the Company's services and for compliance with the terms of the Company's tariff.

**Customer Dialed Call:** A call where the end user dials all of the digits necessary to route and bill the call. Service may be accessed through a "0+" dialing sequence.

**Day:** From 8:00 AM up to (but not including) 5:00 PM local time Monday through Friday.

**Direct Dialed Call:** A call requiring no operator assistance. A direct dialed call is completed and billed without the assistance of an automated or live operator. This includes calls forwarded by call forwarding equipment.

**End User:** The person, firm, corporation or other entity that uses the Company's services.

**Evening:** From 5:00 PM up to (but not including) 11:00 PM local time Sunday through Friday.

**Incomplete Call:** A call where the transmission between the calling and the called station is not established (e.g. busy, no answer, etc.).

**Inmate:** An end user in a correctional facility.

**LATA (Local Access and Transport Area):** A geographic area within which local telephone companies may offer telecommunications services (local or long distance).

**LEC:** Local Exchange Carrier

**Local Exchange Carrier:** A telephone company utility that provides local telecommunications services to a specific geographic area for business and residential customers.

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Alternate Operator Service Tariff

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**SECTION 1 - DEFINITIONS (Continued)**

**Night/Weekend:** From 11:00 PM up to (but not including) 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to (but not including) 5:00 PM Sunday.

**Operator Service:** A telecommunications service that includes automated or live assistance to the end user in the billing or completion of a telephone call.

**Operator Station Call:** A service where an end user places a non-Person-to-Person call with operator assistance.

**Person-to-Person Call:** An operator assisted call where the caller specifies a particular person, department, extension, room number or office that the caller wishes to reach.

**Subscriber:** The person, firm, partnership, corporation, or other entity that owns the pay telephone, PBX, or other switch vehicle from which an end user places a call using the Company's services. A subscriber has a pre-existing business arrangement with the Company and may also be a customer or end user.

**Third Party Billing:** A billing arrangement by which a caller can bill the charges for a call to a phone number other than the calling number or the called number.

**Third Party Call:** A call charged to a phone number other than the calling station or the called station.

**Uncompleted Call:** A call where the transmission between the calling and the called station is not established (e.g. busy, no answer, etc.).

**VAC:** Value-Added Communications, Inc.

**V & H Coordinates:** Geographic points which define the originating and terminating points of a call in mathematical terms so that the airline mileage of the call may be determined. Call mileage is used for the purpose of rating calls.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS****2.1 Undertaking of the Company**

The Company furnishes telecommunications services originating and terminating within the State. The Company installs, operates and maintains communication services according to the terms and conditions of this tariff. The Company may act as the customer's or subscriber's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's or subscriber's location to the Company's network. The customer shall be responsible for all charges due for such service arrangements. Operator Services are provided through the terminal equipment of subscribers serving the transient public end users and to correctional facilities. The Company's services and facilities are available twenty-four (24) hours per day, seven (7) days per week.

**2.2 Limitations**

- 2.2.1 Service is offered subject to the availability of necessary facilities and equipment and subject to the provisions of this tariff.
- 2.2.2 The Company reserves the right to discontinue or limit service when required by conditions beyond its control, or when the customer, subscriber or end user uses service in violation of this tariff or in violation of law.
- 2.2.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.2 Limitations (Continued)**

- 2.2.4 The Company directly or indirectly controls all facilities provided under this tariff and neither the customer nor subscriber may transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.2.5 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.
- 2.2.6 The Company does not process local emergency calls ("911" or "0-") calls. Such calls are routed directly to the serving local exchange carrier, except for operator services to correctional facilities. In the event that the Company processes an emergency call for any reason, no charges will apply if placed to a recognized, authorized civil authority.
- 2.2.7 Except in correctional facilities, when the Company cannot complete a call, the caller will be transferred to the underlying live operator service provider selected by the host location. All such transfers take place from the originating location.
- 2.2.8 Subject to applicable laws, the Company's services provided to inmates at correctional facilities may have special limitations. A correctional facility or state regulation may require restrictions including, but not limited to, collect-only calling, special payment arrangements, restricted calling privileges, call or number blocking, call duration limits, restriction of 3-way calling by the called party, and restricted access to alternate carriers.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.3 Use**

Customers may only use a service provided under this tariff in a manner consistent with the terms of this tariff and the laws of all governmental authorities having jurisdiction over the service. Services provided under this tariff shall not be used for unlawful purposes.

**2.4 Liability of the Company**

- 2.4.1 Except as specified in this tariff, the Company shall have no liability for damages of any kind arising out of or related to services, events, acts, rights, or privileges related to this tariff. This tariff does not limit the liability of the Company for gross negligence or willful misconduct.
- 2.4.2 In no event will the Company be responsible for any indirect, consequential, incidental, or special damages.
- 2.4.3 The Company's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission occurring in the course of furnishing service or facilities shall not exceed an amount equal to the proportionate charge to the customer for the period during which the faults in transmission occur.
- 2.4.4 The Company shall not be liable for any mistakes, interruptions, omissions, delays, errors, or defects in any service, facility or transmission caused by any person or entity other than the Company.
- 2.4.5 The Company shall not be liable for any act or omission of any other carrier furnishing any part of the service provided under this tariff.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.4 Liability of the Company (Continued)**

- 2.4.6 No agent or employee of any other carrier shall be deemed to be an agent or employee of the Company.
- 2.4.7 The Company shall not be liable for any defacement or damage to the premises of a customer or subscriber that is not the direct result of the Company's negligence.
- 2.4.8 The Company shall not be liable for any failure of performance due to causes beyond its control, including but not limited to: fire, floods, and other catastrophes; acts of God; atmospheric conditions and other natural phenomena; acts of government; court orders; national emergencies; war; civil disturbances; labor problems; third party acts and omissions (including failure of performance of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors); and other causes beyond its reasonable control, including failures and fluctuations in equipment.
- 2.4.9 The customer or subscriber shall indemnify and hold the Company harmless against:
- A. Claims for defamation, invasion of privacy, and infringement of intellectual property arising out of the material, data, information or other content transmitted over the Company's services or facilities;
  - B. Patent infringement claims arising from combining or connecting Company furnished facilities with apparatus and systems of the customer or subscriber; and
  - C. All other claims arising out of any act or omission of the customer or subscriber in connection with any service provided by the Company.

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Issued: October 15, 1999

Effective:

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.4 Liability of the Company (Continued)**

- 2.4.10 The customer or subscriber shall indemnify and hold the Company harmless from all losses, claims, demands, suits and other actions, and any liability whatsoever, whether suffered, made, instituted or asserted by the customer or by any other party or persons, for any personal injury or death of any person, and for any loss, damage, or destruction of any property, whether owned by the customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of the Company's equipment or facilities.
- 2.4.11 EXCEPT AS SPECIFIED IN THIS TARIFF, THE COMPANY MAKES NO WARRANTY, WHETHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

**2.5 Deposits and Credit Limits**

- 2.5.1 The Company may require any applicant that has not established satisfactory credit to submit a deposit. The Company may require an existing customer to submit a deposit or to increase an existing deposit. The existence of a deposit in no way relieves the customer of the obligation to promptly pay bills.
- 2.5.2 The Company reserves the right to establish credit limits for services to any billing telephone number. The Company may also offer pre-set credit limits to customers who wish to control call charges billed to their telephone numbers. Limits will be set according to the Company's current guidelines and may be increased or decreased at the Company's discretion.

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Effective:

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Value-Added Communications, Inc.  
1601 N. Collins Blvd.  
Richardson, Texas 75080



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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.6 Taxes**

The customer is responsible for payment of all applicable federal, state, and local taxes, charges, and assessments. All taxes, charges, and assessments (e.g., gross receipts tax, sales tax, municipal utilities tax, etc.) are listed as separate line items and are not included in the quoted rates.

**2.7 Installation**

Service is installed upon mutual agreement between the subscriber or customer and the Company. A service agreement does not alter the rates specified in this tariff.

**2.8 Payment for Service**

2.8.1 The customer is responsible for payment of all charges for services furnished by the Company to the customer or to an authorized user. The Company will arrange to bill calls in accordance with the credit card, collect call, or calling card instructions of the caller, via the designated commercial credit card clearing center or the applicable telephone company or billing clearinghouse with whom the Company has a billing agreement. All charges due from the customer are payable to the Company or to any agency duly authorized to receive such payments.

2.8.2 The customer shall be responsible for payment of all calls or services:

- A. originating from the customer's number;
- B. accepted at the customer's number (e.g., collect calls);
- C. billed to the customer's number through: third party billing (if the customer is found to be responsible for such call or service), a calling card, or a Company-assigned authorization code; or
- D. incurred at the specific request of the customer.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.8 Payment for Service (Continued)**

- 2.8.3 The customer must promptly report any objections to charges billed to the Company or the Company's billing agent. The Company will adjust a customer's bill to the extent that circumstances reasonably indicate that such changes are appropriate. The customer must present any disputed amounts or claims within thirty (30) days from the date of the invoice. The customer may not withhold undisputed amounts.
- 2.8.4 If a customer wishes to bill a call to an account for which the Company has no billing arrangement, the Company's equipment will direct the call to the local exchange carrier or the presubscribed interexchange carrier. For all such calls, no Company charges will apply and the subscriber will not receive a commission. This section does not apply to inmate services.
- 2.8.5 Bills are due and payable upon receipt. Interest at the lesser of one and one-half percent (1.5%) per month, or the highest rate allowed by law per month may accrue on any unpaid amount starting 30 days after the invoice date.
- 2.8.6 An account becomes past due if the customer fails to pay within fifteen (15) days after the invoice date.
- 2.8.7 A past due account may subject the customer's service to suspension or termination.
- 2.8.8 Failure to receive a bill will not exempt a customer from prompt payment of any sums due.
- 2.8.9 The Company may assess a returned check charge of up to \$25.00 for dishonored checks.

**2.9 Cancellation of Service**

The subscriber may cancel service by providing thirty (30) days written notice to the Company.

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.10 Termination or Suspension of Service**

The Company may terminate or withhold any service (whether provided at hotels/motels, correctional facilities, or elsewhere) for any of the following reasons after fifteen (15) days written notice, unless otherwise stated:

- A. Failure to timely pay any charges applicable under this tariff.
- B. Violation of any provision of this tariff.
- C. Without notice for violation of any law, rule, regulation or policy of a government authority having jurisdiction over the service.
- D. Without notice for an order or decision of a court, regulatory agency, or other government authority prohibiting the Company from providing service.
- E. Improper use of the Company's services, or use that unreasonably interferes with Company's equipment or service to other customers.
- F. Without notice for dangerous conditions that may cause harm to persons or damage to property.
- G. Without notice for illegal use, unauthorized use, fraudulent use or theft of service. If the Company discontinues service because of such use, the Company may require the subscriber to make, at the subscriber's expense, any changes in equipment or facilities necessary to eliminate such unauthorized use. The Company may also require the subscriber to pay the estimated revenue lost from such unauthorized use.
- H. Failure to provide reasonable access to the Company or its agents for inspection and maintenance of equipment owned by the Company or its agents.
- I. Use of the Company's service for any purpose other than that described in the application.
- J. Without notice in the event of tampering with equipment or services owned or managed by the Company or its agents.
- K. Inactivity for over sixty (60) days.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.11 Restoration of Service**

The subscriber or customer may be required to re-apply for service and/or pay any outstanding charges before the Company restores service for a subscriber or customer disconnected under the "Termination or Suspension of Service" section.

**2.12 Refusal of Service and Blocking**

The Company may refuse to process a call for the following reasons:

- A. Authorization for a calling card or credit card cannot be validated for a call charged to a calling card or credit card.
- B. The party to be billed does not accept the charges for a collect or third party call.
- C. To prevent fraudulent or other unlawful use of its services.

The Company may block traffic to and from certain countries, cities, NXX's, or block calls that use certain authorization codes or calling card accounts when the Company deems it necessary to prevent fraud or other unlawful use of its services.

Without notice and whenever necessary, at the request of an administrator of a correctional facility or any law enforcement agency, the Company may block service from or to a particular telephone number.

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.13 Interruption of Service**

The Company will credit a customer account for service interruptions that are not due to the Company's testing or adjusting, the customer's or subscriber's negligence or willful acts, or to the failure of customer or subscriber provided facilities or equipment. The customer shall promptly notify the Company of the interruption of service for which the customer requests a credit. Before requesting a credit, the customer shall verify that the trouble could not have been prevented by the customer and is not in the customer's wiring or equipment. An interruption caused by automatic dialing equipment does not constitute an interruption of service for the purposes of this section.

**2.14 Inspection, Testing, Maintenance and Repair**

Upon reasonable notice, the customer/subscriber shall provide access to the customer's/subscriber's premises for inspection, testing, maintenance, or repair of Company provided equipment or facilities. Without incurring liability, the Company may interrupt service at any time for inspection, testing, maintenance, or repair. When possible, the Company will notify customers/subscribers of the cause and expected duration of the interruption at least twenty-four (24) hours in advance. The Company will not grant any allowances for interruptions for inspection, testing, maintenance, or repair, unless the interruption lasts at least twenty-four (24) consecutive hours.

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.15 Operator Services for Casual Callers**

- 2.15.1 The Company will identify itself to the end user at the time the end user accesses the Company's services.
- 2.15.2 Upon request, the Company will quote rates and charges for its services to the end user at no charge.
- 2.15.3 When the Company provides its automated operator assisted calling to the public or transient end users, the subscriber shall post a notice of consumer information in plain view at each telephone that automatically accesses the Company's network. Failure to post the following notice may result in service termination or suspension. In addition to any other state and federal requirements, the notice will include the following information:
- A. the Company's name, address, toll-free telephone number and the amount of any applicable surcharges;
  - B. notice that the end user can use other carriers by dialing their access codes;
  - C. a statement that the Company will quote rates upon request at no charge;
- 2.15.4 A subscriber may not restrict an end user's access to competing interexchange telephone carriers or restrict an end user's access to competing providers of intrastate operator assisted communications services. Any entity that engages in such action or arrangement will be considered in violation of this tariff and any applicable contract. This section does not apply to inmate services.

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.16 Responsibilities of Customers and Subscribers**

- 2.16.1 The customer or subscriber is responsible for taking all necessary actions, for interconnecting the customer or subscriber provided equipment or systems with the Company's facilities or services. The customer or subscriber shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection.
- 2.16.2 The customer or subscriber shall ensure that the equipment and/or system properly interfaces with the Company's facilities or services; that the signals emitted into the network are of the proper mode, bandwidth, power and signal level for the intended use of the customer and in compliance with the criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other customers. If the FCC or other appropriate certifying body certifies equipment as being acceptable for direct connection with telecommunications service, the Company may allow connection of such equipment to its services without the use of protective interface devices.
- 2.16.3 If the customer or subscriber fails to maintain the equipment and/or system properly, resulting in potential harm to the Company's equipment, personnel, or quality of service to other customers, the Company may take any immediate action necessary to protect its facilities, personnel, and quality of service. The Company will promptly notify the customer or subscriber of the need for protective action (this may include requiring the use of protective equipment at the customer's subscriber's expense). If this fails to produce satisfactory quality and safety, the Company may, upon written notice, take any additional action necessary to protect its facilities and personnel, including termination of the customer's or subscriber's service.
- 2.16.4 The customer or subscriber shall be responsible for securing its telephone equipment against fraudulent use of the Company's service. The customer shall be responsible for payment of all applicable charges for services provided by the Company and billed to the customer's accounts, even if those calls originated by fraudulent means from the customer's or subscriber's premises or remote locations. In addition, the customer shall be responsible for all calls charged by fraudulent means to the customer's account.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.16 Responsibilities of Customers and Subscribers (Continued)**

2.16.5 The customer shall indemnify and hold the Company harmless against claims of libel, slander, and infringement of copyrights, trademarks, trade names, and service marks, arising from any transmission over the facility; against all claims for infringement of patents arising from the combination or use of the Company's service with the customer's equipment or system; and against all other claims arising out of any act or omission of the customer in connection with the Company's service.

2.16.6 The customer or subscriber shall be liable for:

- A. Loss or damage of Company equipment or facilities at the customer's or subscriber's premises due to theft, fire, flood, or any other casualty or criminal act.
- B. Reimbursing the Company for damages to facilities and equipment caused by the negligent or willful acts of the subscriber or customer or its authorized users, employees, agents, or contractors.
- C. Charges incurred with other companies for service at the customer's or subscriber's premises or on the customer's or subscriber's equipment.
- D. Payment of Company charges for calls or service originated at the customer's number; accepted at the customer's number (i.e., collect calls); or placed through the customer's calling card or authorization number.

2.16.7 The customer or subscriber shall provide access to its premises for any installation, repair, maintenance, inspection, testing, or removal of equipment associated with the Company's service.

2.16.8 The customer shall ensure that authorized users comply with the provisions of this tariff.

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Alternate Operator Service Tariff

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**SECTION 2 - RULES AND REGULATIONS (Continued)****2.17 Responsibilities of Authorized Users**

- 2.17.1 The authorized user is responsible for compliance with all applicable regulations in this tariff.
- 2.17.2 The authorized user is responsible for establishing his/her identity as often as necessary during the course of a call.
- 2.17.3 The authorized user is responsible for identifying the station, party, or person with whom communication is desired and/or made at the called number.
- 2.17.4 The authorized user is responsible for providing the Company with a valid method of billing for each call. The Company reserves the right to validate the credit worthiness of authorized users through credit card, called number, third party telephone number and room number verification procedures. If the Company cannot validate a requested billing method, the Company may require the user to provide an acceptable alternate billing method or the Company may refuse to place the call.

**2.18 Right to Backbill for Improper Use**

Any person or entity which uses or appropriates the Company's services, whether directly or indirectly, in any unlawful manner or by providing misleading or false information to the Company shall be liable for an amount equal to the charges that would have applied to a customer's actual use of services.

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Alternate Operator Service Tariff

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**SECTION 3 - DESCRIPTION OF SERVICE****3.1 General**

The Company offers direct dialed and automated operator assisted services to entities serving the transient public and to correctional facilities. Calls requiring live operator intervention, such as person-to-person, are routed to the underlying operator service provider selected by the host location and are not processed by the Company.

**3.2 Timing of Calls**

- 3.2.1 Billing for calls placed over the Company's network is based in part on the duration of the call. Timing of each call begins as specified below and ends when either the calling party or the called party hangs up. Calls are billed in full minute increments unless otherwise specified.

Auto-Collect Calls - Timing begins when the called party accepts responsibility for payment.

Auto-Person-to-Person - Timing begins when the calling party is connected to the designated called party or to an agreed alternate.

All Other Calls - Timing begins when the called station answers.

- 3.2.2 Unless otherwise specified in this tariff, the minimum call duration for billing purposes is one (1) minute.
- 3.2.3 No billing applies to incomplete or unanswered calls.
- 3.2.4 When a call begins in one rate period and ends in another rate period, the rate in effect at the calling station applies to the portion of the call occurring within that rate period. When a unit of time is split between two rate periods, the rate applicable to that unit of time is based on the rate period in which it began.

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**SECTION 3 - DESCRIPTION OF SERVICE (Continued)****3.3 Calculation of Distance**

Usage charges for mileage-sensitive products are based on the airline distance between serving wire centers associated with the originating and terminating points of the call.

The area codes and exchanges of the origination and destination points determine the service wire centers of a call.

Industry standard vertical ("V") and horizontal ("H") coordinates determine the distance between the wire center of the customer and that of the destination point:

Step 1: Obtain the V and H coordinates for the wire centers serving the customer and the destination point.

Step 2: Obtain the difference between the V coordinate of each wire center. Obtain the difference between the H coordinates.

Step 3: Square the differences obtained in Step 2.

Step 4: Add the squares of the V difference and the H difference obtained in Step 3.

Step 5: Divide the sum of the squares obtained in Step 4 by 10. Round to the next higher whole number if a fraction remains from the division.

Step 6: Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if a fraction remains.

Formula:

$$\text{Mileage} = \sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

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## Alternate Operator Service Tariff

**SECTION 3 - DESCRIPTION OF SERVICE (Continued)****3.4 Time of Day Rate Periods**

The day, evening or night/weekend rates apply based on the time of day and the day of the week as listed in the following chart:

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
8:00 a.m. to 5:00 p.m.*	Day Rate Period						Eve
5:00 p.m. to 11:00 p.m.*	Evening Rate Period						
11:00 p.m. to 8:00 a.m.*	Night/Weekend Rate Period						

\* up to, but not including

**3.5 Holidays**

For the following holidays the Evening Rate Period rates apply, unless a lower rate would normally apply:

New Year's Day\*\*, Labor Day, Martin Luther King Day\*, Columbus Day\*, Presidents' Day\*, Veterans' Day\*\*, Memorial Day\*, Thanksgiving Day, Independence Day\*\*, Christmas Day\*\*

\* As federally observed.

\*\* When this holiday falls on a Sunday, the Holiday rate applies to calls placed on the following Monday. When this Holiday falls on a Saturday, the Holiday calling rate applies to calls placed the preceding Friday.

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Alternate Operator Service Tariff

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**SECTION 3 - DESCRIPTION OF SERVICE (Continued)****3.6 Service Offerings****3.6.1 VAC Inmate Calling Service**

This specialized calling service is available when the correctional facility contracts for VAC Inmate Calling Service on behalf of the inmates. Special restrictions and limitations may apply to calls made by inmates, including restriction to collect-calls only. InterLATA, intraLATA and local calling are available, as specified by the correctional facility subscriber.

**3.6.1.A Collect Call Assurance Program**

The Company reserves the right to collect an advance payment equal to two (2) months of estimated collect calling service. If a calling history has not been established, the advance payment will be at least \$100.00, but will not exceed \$1,000.00. Payment must be made in U.S. dollars in the form of a cashier's check or money order.

The Company may limit charges to Customers who routinely accept collect calls from end users at correctional facilities at the advance payment level. During any billing cycle in which the customer is within 10% of the limit (the advance payment amount), the Company will offer the customer the choice of refusing service upon reaching the limit or increasing the advance payment. This allows the Company's collect customers to control the amount spent on collect calls from inmates while allowing the Company to offer service to customers whose credit worthiness would otherwise preclude continued service.

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**SECTION 3 - DESCRIPTION OF SERVICE (Continued)****3.6 Service Offerings (Continued)****3.6.1 VAC Inmate Calling Service (Continued)****3.6.1.B COD Collect**

The Company offers COD Collect to inmates and to customers who accept inmate calls from certain correctional facilities served by the Company. COD Collect allows the inmate or collect call customer to establish a commissary account at the correctional facility for payment of call charges to the Company. The inmate or the collect call customer establishes the amount of the commissary account. The Company submits call charges to the administrator of the commissary account. The administrator is responsible for remitting payment to the Company according to the terms of the contract with the correctional facility. Where state law requires, the availability of a commissary account may be limited to collect call customers only. Commissary accounts are only available at those institutions served by the Company that have made the appropriate contractual and operational arrangements for such service. Calls billed to a commissary account are not billed on the customer's local telephone bill.

Commissary accounts may, at the Company's election, be offered for prepaid direct dialed calling services, at those institutions served by the Company which have made the appropriate contractual and operational arrangements for such services.

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**SECTION 4 - RATES****4.1 General**

Each customer is charged individually for each call placed through the Company. All charges are expressed in Dollars unless otherwise specified.

The charges for the Company's services are determined by:

- Distance between stations,
- Time of day and day of week,
- Duration of the call,
- Class of call, and
- Jurisdictional nature of the call (intraLATA or interLATA).

Customers are billed based on their use of the Company's service. No installation charges or fixed monthly recurring charges apply.

**4.2 Automated Operator Service Charges**

All automated operator calls are subject to operator service charges. These charges apply on a per call basis and will be included with usage charges on a customer's monthly invoice of charges.

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## Alternate Operator Service Tariff

**SECTION 4 - RATES (Continued)****4.3 VAC Inmate Calling Service****4.3.1 Automated Usage – Inmate****InterLATA**

<u>Miles</u>	<u>Day</u>		<u>Evening</u>		<u>Night/Weekend</u>	
	<u>Initial</u> <u>Period</u>	<u>Additional</u> <u>Period</u>	<u>Initial</u> <u>Period</u>	<u>Additional</u> <u>Period</u>	<u>Initial</u> <u>Period</u>	<u>Additional</u> <u>Period</u>
0-10	0.2400	0.1100	0.2400	0.1100	0.2400	0.1100
11-22	0.3400	0.1600	0.3400	0.1600	0.3400	0.1600
23-55	0.3500	0.2000	0.3500	0.2000	0.3500	0.2000
56-124	0.4100	0.2500	0.4100	0.2500	0.4100	0.2500
125-292	0.4200	0.2700	0.4200	0.2700	0.4200	0.2700
293+	0.4300	0.3000	0.4300	0.3000	0.4300	0.3000

**IntraLATA**

<u>Miles</u>	<u>Day</u>		<u>Evening</u>		<u>Night/Weekend</u>	
	<u>Initial</u> <u>Period</u>	<u>Additional</u> <u>Period</u>	<u>Initial</u> <u>Period</u>	<u>Additional</u> <u>Period</u>	<u>Initial</u> <u>Period</u>	<u>Additional</u> <u>Period</u>
0-10	0.2400	0.1100	0.2400	0.1100	0.2400	0.1100
11-22	0.3400	0.1600	0.3400	0.1600	0.3400	0.1600
23-55	0.3500	0.2000	0.3500	0.2000	0.3500	0.2000
56-124	0.4100	0.2500	0.4100	0.2500	0.4100	0.2500
125-292	0.4200	0.2700	0.4200	0.2700	0.4200	0.2700
293+	0.4300	0.3000	0.4300	0.3000	0.4300	0.3000

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Alternate Operator Service Tariff

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**SECTION 4 - RATES (Continued)****4.3 VAC Inmate Calling Service (Continued)****4.3.2 Automated Operator Service Charges****InterLATA**

	<u>Per Call Charge</u>
Calling/Credit Card	1.30
Operator Station/Collect	1.30
Operator Station/Third Party	2.30
Person-to-Person	2.30

**IntraLATA**

	<u>Per Call Charge</u>
Calling/Credit Card	1.30
Operator Station/Collect	1.30
Operator Station/Third Party	2.30
Person-to-Person	2.30

**Local**

	<u>Per Call Charge</u>
Calling/Credit Card	1.55
Operator Station/Collect	1.55
Operator Station/Third Party	2.55
Person-to-Person	2.55

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Alternate Operator Service Tariff

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**SECTION 4 - RATES (Continued)****4.3 VAC Inmate Calling Service (Continued)****4.3.3 COD Collect**

<u>Type of Call</u>	<u>Rate</u>
Local	0.04
IntraLATA	0.15
InterLATA	0.15

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STATE OF MARYLAND

COMMISSIONERS

GLENN F. IVEY  
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CLAUDE M. LIGON  
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SUSANNE BROGAN  
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SUSAN S. MILLER  
ACTING GENERAL COUNSEL

FELECIA L. GREER  
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GREGORY V. CARMEAN  
EXECUTIVE DIRECTOR

PUBLIC SERVICE COMMISSION

WILLIAM DONALD SCHAEFER TOWER  
6 ST. PAUL STREET  
BALTIMORE, MARYLAND 21202-6806  
(410) 767-8000  
FAX NUMBER (410) 333-6495

July 23, 1999

Mr. Rick Cantur  
Manager of Regulatory Affairs  
Value-Added Communications, Inc.  
14100 San Pedro, Suite 400  
San Antonio, TX 75080

*Re: Revocation of Operating Authority*

Dear Mr. Cantur:

By letter dated May 17, 1999, Value-Added Communications, Inc. was advised that its operating authority would be revoked unless it restored its corporate charter with the State Department of Assessments and Taxation ("SDAT") and presented evidence of compliance to the Maryland Public Service Commission ("Commission") by June 14, 1999.

As of July 23, 1999, the Commission has not received any evidence from Value-Added Communications, Inc. indicating that its corporate charter has been restored with the SDAT. Therefore, effective immediately, the operating authority of Value-Added Communications, Inc. is revoked and its tariffs are hereby cancelled.

By Direction of the Commission,

A handwritten signature in dark ink, appearing to read "Felecia L. Greer".  
Felecia L. Greer  
Executive Secretary

CSA:aor

JUN 12 11 23 AM '98

FILED

ORDER NO. 3

Original docket file.

Jan Sanders  
Jan Sanders  
Secretary of the Commission  
Date 12-12-98

ATTACHMENT D

**"VAC ENTITIES"**  
**BALANCE SHEETS**  
**FOR THE MONTHS ENDED JUNE 30, JULY 31, AND AUGUST 31, 1999**  
**(UNAUDITED)**

	VAC June-99	VAC July-99	VAC August-99
<b>ASSETS</b>			
Cash	\$ 307,152	\$ 282,808	\$ 447,927
Accounts Receivable - Trade	451,713	733,477	297,213
Accounts Receivable - Factoring	428,679	486,768	449,117
Inventory	411,658	426,482	601,610
Other Current Assets	9,011	5,597	2,559
Total Current Assets	<u>1,608,213</u>	<u>1,935,132</u>	<u>1,798,427</u>
Equipment	562,743	566,728	566,728
Office Furn, Equip & Improvements	78,604	78,604	79,724
Other Fixed Assets	357,993	357,993	358,488
Less: Accumulated Depreciation	(765,088)	(793,180)	(821,273)
Net Fixed Assets	<u>234,252</u>	<u>210,145</u>	<u>183,668</u>
Site Contracts	17,768	17,768	17,768
Intangible Assets	3,278,835	3,249,835	3,122,623
Less: Accumulated Amortization	(398,803)	(415,370)	(431,936)
Net Intangible Assets	<u>2,897,800</u>	<u>2,852,234</u>	<u>2,708,454</u>
Other Assets	727	0	0
<b>TOTAL ASSETS</b>	<u>\$ 4,740,993</u>	<u>\$ 4,997,511</u>	<u>\$ 4,690,549</u>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>			
Current Liabilities	\$ 1,015,804	\$ 1,142,474	\$ 1,100,198
Notes Payable	1,281,362	1,455,769	1,429,983
Other Non Current Liabilities	295,903	316,951	272,113
Total Liabilities	<u>2,593,070</u>	<u>2,915,194</u>	<u>2,802,294</u>
Deferred Income	1,201,897	1,113,306	989,651
Stockholders' Equity			
Common Stock	510	510	510
Paid -in Capital	924,623	924,623	924,623
Accumulated Deficit	20,893	43,878	(26,528)
Total Stockholders' Equity	<u>946,026</u>	<u>969,011</u>	<u>898,605</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<u>\$ 4,740,993</u>	<u>\$ 4,997,511</u>	<u>\$ 4,690,549</u>

VALUE ADDED COMMUNICATIONS  
VAC ENTITIES BALANCE SHEET  
FOR THE MONTH ENDED DECEMBER 31,1998

(UNAUDITED)

	December-98
<b>ASSETS</b>	
Cash	\$ 316,357
Accounts Receivable - Trade	485,836
Accounts Receivable - Factoring	207,820
Inventory	124,526
Total Current Assets	<u>1,134,539</u>
Pay Phone Equipment	562,943
Office Furn, Equip & Improvements	107,521
Other Fixed Assets	352,664
Less: Accumulated Depreciation	(607,438)
Net Fixed Assets	<u>415,690</u>
Site Contracts	17,768
Intangible Assets	3,200,520
Less: Accumulated Amortization	(295,146)
Net Intangible Assets	<u>2,923,142</u>
Other Assets	4,885
<b>TOTAL ASSETS</b>	<b>\$ 4,478,256</b>

**LIABILITIES & STOCKHOLDER'S EQUITY**

Current Liabilities	\$ 534,821
Notes Payable	880,972
Other Non Current Liabilities	249,660
Total Liabilities	<u>1,665,453</u>
Deferred Income	1,351,622
Intercompany Liability	1,114,600
Stockholders' Equity	
Common Stock	510
Paid -in Capital	924,623
Accumulated Deficit	(578,552)
Total Stockholders' Equity	<u>346,581</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 4,478,256</b>

PROPRIETARY AND CONFIDENTIAL

**VALUE ADDED COMMUNICATIONS**  
**CONSOLIDATED BALANCE SHEETS**  
**FOR THE MONTHS ENDED DECEMBER 31, 1997 AND 1998**

(UNAUDITED)

ASSETS	December-97	December-98
Cash	\$ (11,320)	\$ 316,357
Accounts Receivable - Trade	891,466	485,836
Accounts Receivable - Factoring	639,127	207,820
Current Portion of Notes Receivable	250,000	0
Inventory	118,386	124,526
Other Current Assets	21,021	0
Total Current Assets	<u>1,908,681</u>	<u>1,134,539</u>
Pay Phone Equipment	502,911	562,943
Office Furn. Equip & Improvements	60,233	107,521
Other Fixed Assets	534,943	352,664
Less: Accumulated Depreciation	(123,411)	(607,438)
Net Fixed Assets	<u>974,676</u>	<u>415,690</u>
Site Contracts	0	17,768
Intangible Assets	1,710,670	3,200,520
Less: Accumulated Amortization	(82,834)	(295,146)
Net Intangible Assets	<u>1,627,836</u>	<u>2,923,142</u>
Other Assets	38,050	4,885
<b>TOTAL ASSETS</b>	<b><u>\$ 4,549,243</u></b>	<b><u>\$ 4,478,256</u></b>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>		
Current Liabilities	\$ 783,819	\$ 534,821
Notes Payable	327,262	880,972
Other Non Current Liabilities	656,019	249,660
Total Liabilities	<u>1,767,100</u>	<u>1,665,453</u>
Deferred Income	561	1,351,622
Intercompany Liability	1,882,298	1,114,600
Stockholders' Equity		
Common Stock	510	510
Paid -in Capital	924,623	924,623
Accumulated Deficit	(25,850)	(578,552)
Total Stockholders' Equity	<u>899,283</u>	<u>346,581</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b><u>\$ 4,549,243</u></b>	<b><u>\$ 4,478,256</u></b>

PROPRIETARY AND CONFIDENTIAL



## TSC Communications Corp.

VAC

For the Month Ended December 31, 1998

Description	Dec Actual	Dec Forecast	Variance	YTD Actual	YTD Forecast	Variance
<b>OPERATING REVENUES</b>						
Commercial Long Distance	\$ (84)	\$ 20,500	\$ (20,584)	\$ 280,082	\$ 324,955	\$ (44,873)
Direct Account	36,792	75,000	(38,208)	825,449	965,385	(139,935)
Porting, Rating, & Validation	95,480	117,000	(21,520)	1,257,115	1,384,148	(127,033)
Transaction Fees	1,632	3,500	(1,868)	53,380	56,240	(2,859)
Interdivision Revenue - Billing	-	-	-	15,867	15,867	-
Other	129,839	76,000	53,839	663,509	360,258	(196,750)
<b>Total Operating Revenue</b>	<b>263,659</b>	<b>292,000</b>	<b>(28,341)</b>	<b>3,095,402</b>	<b>3,606,853</b>	<b>(511,451)</b>
<b>Cost of Sales</b>						
Bad Debt	30,734	4,000	26,734	98,825	60,750	38,075
Unbillables	-	-	-	-	-	-
Billing Charges	1,325	2,500	(1,175)	25,548	30,051	(4,504)
Telco / Factor Fees	16,325	7,500	8,825	109,329	105,906	3,423
Validation	9,307	12,000	(2,693)	150,028	139,463	10,566
Commissions - Other	21,176	40,000	(18,824)	452,545	517,884	(65,339)
Line Charges	1,599	2,000	(401)	22,233	24,300	(2,067)
Outgoing Transmission	11,165	22,000	(10,835)	379,901	383,213	(3,312)
T-1 Charges	1,619	2,000	(381)	39,010	37,021	1,989
Interdivision Expense - Billing	-	-	-	15,867	15,867	-
Other	47,692	33,500	14,192	288,291	383,141	(94,850)
<b>Total Cost of Sales</b>	<b>140,943</b>	<b>125,500</b>	<b>15,443</b>	<b>1,581,576</b>	<b>1,697,594</b>	<b>(116,018)</b>
<b>Gross Profit</b>	<b>122,717</b>	<b>166,500</b>	<b>(43,783)</b>	<b>1,513,826</b>	<b>1,909,259</b>	<b>(395,433)</b>
<b>G &amp; A Expenses</b>						
Salaries & Wages	47,070	110,000	(62,930)	703,652	1,076,933	(373,281)
Capitalized Salaries & Wages	-	(60,000)	60,000	-	(410,000)	410,000
Indirect Payroll Costs	16,466	22,000	(5,534)	74,987	197,809	(122,822)
Capitalized IPC	-	(12,000)	12,000	-	(82,000)	82,000
Contract & Service Labor	11,378	1,000	10,378	52,753	26,446	26,307
Insurance	2,375	-	2,375	15,339	-	15,339
Fleet & Auto	35	-	35	39	4	35
Travel & Relocation	2,757	5,000	(2,243)	55,669	38,648	17,021
Legal & Professional Services	(1,152)	2,500	(3,652)	38,397	36,193	2,204
Depreciation & Amortization	63,884	52,500	11,384	577,580	577,297	283
Rent Expense	12,885	10,500	2,385	112,623	88,674	23,949
Taxes	(1,445)	2,000	(3,445)	20,159	27,810	(7,650)
Maintenance & Repair	2,884	1,000	1,884	14,613	10,329	4,284
Office Expense	1,878	2,000	(122)	22,005	23,789	(1,784)
Supplies	-	3,500	(3,500)	106	15,606	(15,500)
Utilities--Telephone & Other	11,142	8,000	3,142	104,658	99,959	4,698
Other	12,671	3,000	9,671	66,386	57,887	8,499
<b>Total G&amp;A Expenses</b>	<b>182,827</b>	<b>151,000</b>	<b>31,827</b>	<b>1,858,768</b>	<b>1,785,385</b>	<b>73,383</b>
<b>Operating Profit</b>	<b>(60,110)</b>	<b>15,500</b>	<b>(75,610)</b>	<b>(344,942)</b>	<b>123,874</b>	<b>(468,816)</b>
Interest Income	83	-	83	9,733	9,649	83
Interest Expense	12,446	14,000	(1,554)	189,928	189,885	43
Allocated Overhead	(4,182)	17,842	(22,024)	340,575	393,470	(52,895)
Gain (Loss) on Asset Disposition	706,220	-	706,220	706,220	-	706,220
<b>Total Other Income</b>	<b>698,039</b>	<b>(31,842)</b>	<b>729,881</b>	<b>1,855,451</b>	<b>(573,705)</b>	<b>2,429,156</b>
<b>Net Income</b>	<b>\$ 637,929</b>	<b>\$ (16,342)</b>	<b>\$ 654,271</b>	<b>\$ (159,491)</b>	<b>\$ (449,831)</b>	<b>\$ 290,340</b>
<b>EBITDA</b>	<b>\$ 695,907</b>	<b>\$ 52,889</b>	<b>\$ 643,018</b>	<b>\$ 612,272</b>	<b>\$ 346,481</b>	<b>\$ 265,791</b>

VALUE ADDED COMMUNICATIONS  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 1997  
(UNAUDITED)

	Five Months YTD 1997
Operating Revenues	
Commercial LD	120,252
Maintenance	1,053
Direct Account	545,355
Polling, Rating & Validation	622,682
Transaction Fee	44,553
Sale of Equipment / Supplies	5,630
Other	63,905
Total Operating Revenues	<u>1,403,430</u>
Cost of Goods Sold	
Bad Debt	4,772
Billing Charges	10,814
Telco / Factor Fees	68,086
Validation	89,841
Commissions -- Other	301,765
Line Charges	2,806
Outgoing Transmission	201,200
T-1 Charges	13,491
Other	15,263
Total Cost of Goods Sold	<u>708,038</u>
Gross Profit	695,392
G&A Expenses	
Salaries & Wages	271,926
Indirect Payroll Costs	33,808
Contract Labor	7,002
Fleet	285
Travel & Relocation	12,235
Legal & Professional Services	34,168
Depreciation & Amortization	206,245
Rents	20,402
Taxes	10,635
Telephone	36,150
Maintenance & Repairs	8,027
Utilities & Other Office Expense	54,607
Total G&A Expenses	<u>695,490</u>
Operating Income	(99)
Interest Income	(11)
Interest Expense	25,762
Net Income/(Loss)	<u><u>\$ (25,850)</u></u>